

BUSINESS MEETING
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

CALIFORNIA ENERGY COMMISSION
HEARING ROOM A, FIRST FLOOR
1516 NINTH STREET
SACRAMENTO, CALIFORNIA

WEDNESDAY, OCTOBER 20, 2004
10:02 A.M.

REPORTED BY:

GREG DUNCAN

Contract No. 150-04-001

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMISSION MEMBERS PRESENT

Arthur Rosenfeld, Commissioner

James D. Boyd, Commissioner

John Geesman, Commissioner

Jackalyne Pfannensteil, Commissioner

STAFF PRESENT

Bob Therkelson, Executive Director

Linda Kelly, PIER Program

Nicholas Bartsch, Public Adviser's Office

Rosella Shapiro,

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

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PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

P R O C E E D I N G S

10:07 a.m.

COMMISSIONER ROSENFELD: Good morning,
I'm Commissioner Art Rosenfeld. Our Chairman is
up in
Vancouver at the Western Interstate Energy Board,
so I have the honor of running the meeting. Let's
do the Pledge of Allegiance.

(Whereupon, the Pledge of
Allegiance was recited in unison.)
Ah, Consent Calendar.

COMMISSIONER GEESMAN: So moved, Mr.
Chairman.

(Thereupon, the motion was made.)

COMMISSIONER BOYD: Second.

(Thereupon, the motion was seconded.)

COMMISSIONER ROSENFELD: Moved by
Geesman, seconded by Boyd.

All in favor?

(Ayes.)

COMMISSIONER ROSENFELD: Item Two,
Blythe Energy Transmission Line Project. Request
to assign a committee for the Blythe Energy, LLC's
request to amend the Commission Decision and
modify the power plant project for the development

1 of new transmission lines.

2 The Chairman's office is going to
3 nominate our lucky Commissioner Geesman as the
4 Presiding Member, and the Chairman himself as
5 Associate Member.

6 Can I have a motion?

7 COMMISSIONER BOYD: So moved.

8 (Thereupon, the motion was made.)

9 COMMISSIONER GEESMAN: Second.

10 (Thereupon, the motion was seconded.)

11 COMMISSIONER ROSENFELD: Moved by Boyd,
12 seconded by Geesman.

13 All in favor?

14 (Ayes.)

15 COMMISSIONER ROSENFELD: The ayes have
16 it. That was fast.

17 Item Three is pulled, Item Four is
18 Natural Gas R&D Development, and I am going to
19 read you a few words from the resolution, which is
20 in the book under Item Four, starting with the
21 fourth "whereas",

22 "Whereas, A, the PUC has established an
23 escalating five year budget and related surcharge
24 levels for the PING" -- that's Public Interest
25 Natural Gas Research Program -- "increasing from

1 \$12 million next year to \$24 million by 2009," and
2 has designated us -- the Energy Commission -- "as
3 the administrator for the program, and required
4 that the Energy Commission submit a proposed
5 research program for the year by October 31st;"

6 And Whereas, there is not very long
7 between now and October 31st, it's resolved that -
8 - and I quote -- "the Energy Commission hereby
9 delegates the following responsibilities to the
10 R&D Committee:

11 A. The R&D Committee shall be responsible
12 for finalizing, conveying, and presenting to the
13 PUC the 2005 PING Research Program;

14 B. The R&D Committee shall inform and
15 solicit input from the Energy Efficiency Committee
16 and the Natural Gas Committee regarding the
17 ongoing developments and implementation."

18 I don't think this is very
19 controversial, but we wanted to make sure there
20 was a clear path so that one committee, namely
21 R&D, could sign off on the program.

22 Any comments by any of the Commissioners
23 or the public?

24 COMMISSIONER GEESMAN: I'll move the
25 motion.

1 (Thereupon, the motion was made.)

2 COMMISSIONER PFANNENSTEIL: I'll second.

3 (Thereupon, the motion was seconded.)

4 COMMISSIONER ROSENFELD: Moved by

5 Geesman, seconded by Pfannensteil.

6 All in favor?

7 (Ayes.)

8 The ayes have it, four to nothing. And

9 Dave Abelson can go. Thank you, David.

10 Item Five, the Climate Registry.

11 Possible approval of a grant for \$200,000 to the

12 California Climate Action Registry to support

13 development of industry-specific software modules,

14 recruitment of additional Registry participants

15 and development of a greenhouse gas portfolio risk

16 pilot project.

17 And I thought Pierre duVair was going to

18 be available?

19 COMMISSIONER BOYD: I think Rosella is

20 going to --

21 MS. SHAPIRO: We've sent for him to come

22 and talk --

23 COMMISSIONER ROSENFELD: Perhaps we

24 should do another item, Rosella.

25 MR. THERKELSON: Commissioners, if you

1 want, I can introduce this thing. That was
2 Rosella Shapiro that spoke earlier.

3 This Item basically is a request by the
4 Legislature. During our budget process last year
5 they requested that we transfer from the PIER
6 Program to the Climate Registry \$200,000 to be
7 able to assist them in some of their projects and
8 their administrative costs.

9 All we are doing is recognizing that
10 request and asking your approval to implement what
11 the Legislature has asked us to do.

12 COMMISSIONER GEESMAN: In other words,
13 these were earmarked funds, and we might as well
14 get on with it.

15 MR. THERKELSON: I was being more polite
16 than that.

17 COMMISSIONER BOYD: I move approval of
18 the Item.

19 (Thereupon, the motion was made.)

20 COMMISSIONER GEESMAN: Second.

21 (Thereupon, the motion was seconded.)

22 COMMISSIONER ROSENFELD: Moved by Boyd
23 succinctly, and seconded by Geesman.

24 Any discussion?

25 All in favor?

1 (Ayes.)

2 Pass, four to zero. Thank you, Bob, for
3 standing in.

4 MR. THERKELSON: My pleasure.

5 COMMISSIONER BOYD: And thank you,
6 Rosella.

7 COMMISSIONER ROSENFELD: Item Six, New
8 Power Technologies. Possible approval of Contract
9 500-04-008 for -- and this number was changed by
10 \$20,000 -- I'm told it's \$5,428,118, to expand the
11 demonstration of a methodology to quantify the
12 potential for increased network efficiency,
13 reliability and improved performance from
14 distributed energy resources on a complex utility
15 system. It's a PIER funded project.

16 And Linda Kelly has just arrived to tell
17 us about it.

18 MS. KELLY: Good morning.

19 COMMISSIONER ROSENFELD: This is known
20 as just on time.

21 COMMISSIONER GEESMAN: Linda was here
22 earlier, but I know that she had to step out.

23 MS. KELLY: I would like to request
24 possible approval of a contract with New Power
25 Technology of Los Altos Hills, California.

1 First, I have to note a change. In the
2 record it shows it at --

3 COMMISSIONER ROSENFELD: Just as you
4 were walking in I recited the different numbers.

5 MS. KELLY: Oh, okay.

6 COMMISSIONER ROSENFELD: Thank you.

7 MS. KELLY: Okay. All right. This
8 project builds on an earlier PIER research that we
9 did with a small municipal utility in which the
10 fundamental feasibility of methodology developed
11 by New Power Technology to assess the impact of
12 distributed energy resources to reduce losses and
13 improve on reliability and power quality were
14 successfully demonstrated.

15 This project will scale up that
16 preliminary research and demonstrate the
17 methodology on a larger, more complex power
18 delivery system more typical of one of the state's
19 investor-owned utilities.

20 Southern California Edison has agreed to
21 participate and work with the researchers to
22 recommend circuits that can be used to demonstrate
23 the methodology.

24 The research that we'll do with Edison
25 includes characterization of both transmission and

1 distribution systems as a single integrated
2 network, use of optimal software to identify
3 optimal control settings for switchable and
4 automated distribution switches, capacitors, and
5 precise placement of distributed resources and
6 demand response for maximum system performance.

7 Also, the project will identify specific
8 locations on the test system where additions of
9 renewable and non-renewable distributed
10 generation, as well as demand side initiatives,
11 have the potential to increase network efficiency
12 and improve network performance.

13 Next, a set of strategically sited
14 network options will be identified with the
15 project so that we can compare apples to apples
16 when we're looking at distribution upgrades
17 alternatives, including reliability enhancements,
18 capital, and O&M cost reductions or referrals.

19 Before finishing this analysis -- and
20 this is a new component of this particular
21 research project -- the project will value, under
22 contingency conditions, an outage recovery where
23 delivery network operations can be improved.

24 So they're going to look at the way the
25 utilities do contingency operations and how they

1 react under emergencies, and see if there is, if
2 you use DG or other things, there's ways that you
3 can improve their recovery during those
4 operations.

5 The final task of this project is a
6 field demonstration. The goal of this task is to
7 conduct a field demonstration that will
8 demonstrate the veracity of the simulation of the
9 integrated system and the validity of recommended
10 re-controls and DER additions developed using the
11 methodology.

12 As I mentioned in my request, the total
13 amount is \$5,428,118. But of that, \$3,074,871 is
14 designated to cover the engineering evaluation
15 analysis of this utility system. Two million of
16 this, \$2,353,247, will be used for the field
17 demonstration.

18 So there are two components to this.
19 The first part is the engineering component, and
20 the second part is the field demonstration.

21 In closing, the PIER research was
22 developed to support key state policies that
23 encourage incorporating renewable and non-
24 renewable distributed generation and demand
25 response and issues into utility procurement and

1 planning.

2 This research is working to address the
3 lack of market mechanisms to capture and monetize
4 DER benefits, and the fact that there is no
5 industry except a tool to calculate these
6 benefits.

7 I'm available if you have any questions.

8 COMMISSIONER ROSENFELD: Thank you very
9 much. Is there any comment by any of the public?

10 COMMISSIONER BOYD: Mr. Chairman, I would
11 just like to thank Linda for the supplemental
12 information you provided me. I did get a chance
13 to review it yesterday, so thank you.

14 COMMISSIONER GEESMAN: Mr. Chairman, I
15 would move the Item.

16 (Thereupon, the motion was made.)

17 This is a significant scale up of some
18 earlier PIER work that yielded very favorable
19 preliminary results, and we're extremely fortunate
20 to have Southern California Edison as a partner in
21 it.

22 We have promoted distributed generation
23 as a policy initiative, both in our 2003 IEPR and
24 in the Energy Action Plan adopted last year. The
25 Energy Commission has encouraged distributive

1 generation for many years before that.

2 As we get to the level of scale that our
3 policies suggest, these integration questions are
4 critical thresholds that need to be overcome. And
5 I think Edison and their system is the best of all
6 possible environments in which to evaluate that.

7 We've established what I think is a very
8 productive relationship with them as the host
9 utility, and I think this work will bear a great
10 deal of importance in the future. So I would move
11 approval of the Item.

12 COMMISSIONER PFANNENSTEIL: Mr.
13 Chairman, I'll second that.

14 (Thereupon, the motion was seconded.)

15 But I would also like to thank Linda for
16 coming by and helping me to understand both what
17 is in here and I think it's alternate value. I
18 agree with Commissioner Geesman that I think it's
19 the beginning of a very important program to apply
20 this to the investor-owned larger utilities.

21 So I would second the motion.

22 COMMISSIONER ROSENFELD: And I know less
23 about this than John and Jackie, but it seems like
24 a great piece of work to me too. So --

25 COMMISSIONER GEESMAN: Well, I've been

1 following this for several years, even before I
2 got here to the Commission, so I'm very familiar
3 with it.

4 COMMISSIONER ROSENFELD: We're all very
5 grunted.

6 All in favor?

7 (Ayes.)

8 Passed four to zero.

9 Thank you, Linda.

10 We certainly whizzed through the program
11 in a hurry. I guess we're down to minutes. Oh, I
12 forgot to say, sorry, the California Power
13 Authority, a thorny issue, is pulled, so --.

14 We're down to minutes, Betty.

15 COMMISSIONER GEESMAN: I'll move
16 approval.

17 (Thereupon, the motion was made.)

18 COMMISSIONER PFANNENSTEIL: I'll second.

19 (Thereupon, the motion was seconded.)

20 All in favor of approving the minutes?

21 (Ayes.)

22 Approved, four to zero.

23 Commission Committee on Oversight?

24 COMMISSIONER GEESMAN: Mr. Chairman, the
25 2004 IEPR update report is expected to be posted

1 on our website at 5:00 tonight, representing a
2 successful effort on the part of dozens and dozens
3 and dozens of our staff.

4 And I think, when the report becomes
5 public and is in front of the full Commission on
6 November 3rd, you'll see the benefit of the staff
7 work that has gone into the process.

8 So I'd invite your attention to that
9 when it comes out this evening. It will be back
10 in front of us for consideration and hopefully
11 adoption on November 3rd.

12 COMMISSIONER ROSENFELD: Awesome.

13 COMMISSIONER PFANNENSTEIL: Mr.
14 Chairman, I'd like to express my appreciation and
15 sort of awe of Commissioners Geesman and Boyd in
16 putting this together. I think the effort and
17 their staff work that they pulled together was
18 just remarkable. I think we're all going to be
19 really pleased with the report.

20 COMMISSIONER GEESMAN: All I can say is
21 take a deep breath, that's the 2004 report. The
22 2005 report is now due.

23 COMMISSIONER PFANNENSTEIL: That's true.

24 COMMISSIONER ROSENFELD: Let's take a
25 week off.

1 (laughter)

2 Thank you very much for all those
3 comments.

4 Chief Counsel's Report?

5 MR. THERKELSON: Thank you. Mr.
6 Chamberlain is also in Vancouver at WIEB and other
7 meetings, and I request a closed session
8 immediately following the meeting to discuss
9 pending litigation.

10 COMMISSIONER ROSENFELD: I'm offering my
11 office. Okay, Executive Director's Report?

12 MR. THERKELSON: Thank you,
13 Commissioners. Two items, first of all, with Item
14 number Seven with the California Power Authority,
15 the Demand Reserves Partnership Program, we do
16 hope to have that on the agenda next business
17 meeting, on the 3rd.

18 We're trying to work out details with
19 that program to see that it is successfully
20 transferred over from the Power Authority and can
21 continue in some way, shape or form. So we're
22 working on doing that.

23 We're working with Finance, as well as
24 Department of Water Resources and the CPA.

25 In terms of the Vancouver activities,

1 you've heard now of two individuals up there. We
2 actually have a handful of staff that are there,
3 not only attending board meetings and other
4 executive responsibilities, but we have staff that
5 are working on the whole western United States
6 electricity supply issue.

7 Grace Andersen and other folks are
8 working with other states, trying to understand
9 what resource adequacy is throughout the west.
10 We're also having discussions on natural gas
11 resources throughout the west, and renewables, and
12 looking at renewable energy credits in particular.

13 The Governor's Office has asked our
14 staff to give them a quick briefing when they
15 return on what was said and what kind of
16 activities transpired at that, so we will be
17 putting together a report for them in that regard.

18 And that's all I have for today.

19 COMMISSIONER ROSENFELD: Thank you,
20 Bob. Anything about legislation?

21 MR. THERKELSON: No. -- is still
22 wandering around the coast of Hawaii, she should
23 be back next week.

24 COMMISSIONER ROSENFELD: Public Adviser?
25 No Public Adviser -- oh, my mistake.

1 MR. BARTSCH: Nick Bartsch for Margret
2 Kim, Mr. Chairman. Nothing to add.

3 COMMISSIONER ROSENFELD: I think he
4 doesn't need the mike.

5 Public comment?

6 I guess this meeting is now adjourned to
7 my office for private session.

8 (Thereupon, the business meeting was
9 adjourned to closed session at 10:25 a.m.)

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CERTIFICATE OF REPORTER

I, GREG DUNCAN, an Electronic Reporter,
do hereby certify that I am a disinterested person
herein; that I recorded the foregoing California
Energy Commission Business Meeting; that it was
thereafter transcribed into typewriting.

I further certify that I am not of
counsel or attorney for any of the parties to said
meeting, nor in any way interested in outcome of
said meeting.

IN WITNESS WHEREOF, I have hereunto set
my hand this 29th day of October, 2004.

GREG DUNCAN

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345